

Ann M. Menke

Certified Public Accountant
A Professional Corporation

SOUTH IOWA AREA DETENTION SERVICE AGENCY

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2013

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Keokuk, Iowa 52632
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SOUTH IOWA AREA DETENTION SERVICE AGENCY

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve McCoy	Executive Director	
Linda Clemons	Facility Director-Lee County	
Richard Reed	Chairman	Jefferson County
Ron Bride	Vice Chairman	Davis County
Jerry Parker	Secretary/Treasurer	Wapello County
Jim Cary	Member	Des Moines County
Ron Fedler	Member	Lee County
Paula Buckman	Member	Lousia County
Mike Vanden Molen	Member	Mahaska County

SOUTH IOWA AREA DETENTION SERVICE AGENCY

Ann M. Menke

Certified Public Accountant
A Professional Corporation

Independent Auditor's Report

To the Board of Directors of the
South Iowa Area Detention Service Agency
Fairfield, Iowa

Report on the Financial Statements

I have audited the accompanying financial statement of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2013, and the related notes to financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the South Iowa Area Detention Service Agency as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters

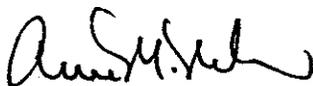
Other Information

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 10 and 20, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 07, 2014 on my consideration of the South Iowa Area Detention Service Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Iowa Area Detention Service Agency's internal control over financial reporting and compliance.

Sincerely,



Ann M. Menke
Certified Public Accountant
Professional Corporation
West Point, Iowa
January 07, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Iowa Area Detention Service Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the South Iowa Area Detention Service Agency is for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2013 FINANCIAL HIGHLIGHTS

- Operating receipts increased 9.9%, or approximately \$90,657, from fiscal year 2012 to fiscal year 2013.
- Operating disbursements increased 11.9%, or approximately \$95,938, from fiscal year 2012 to fiscal year 2013.
- The Agency's cash balance increased 15.3%, or approximately \$105,605 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenue and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Other Information further explains and supports the financial statement with a comparison of the Agency's budget for the year.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in the Agency's cash balance.

Operating receipts are received for detention care fees from the members and nonmembers of the Agency and transport fees, lunch reimbursement, and DHS reimbursement. Operating disbursements are disbursements paid to operate the Agency. Non-operating receipts and disbursements are for interest on investments, equipment purchases, and capital purchases. A summary of cash receipts, disbursements, and changes in cash balance for the years ended June 30, 2013 and June 30, 2012 is as follows:

	Year ended June 30,	
	2013	2012
Operating receipts:		
Detention care fees	\$ 734,975	\$ 525,655
Transport fees	23,329	17,821
DHS reimbursement	230,356	315,257
Lunch reimbursement	1,204	14,618
Other reimbursements	14,523	40,379
Total operating receipts	<u>1,004,387</u>	<u>913,730</u>
Operating disbursements:		
Salaries	502,855	452,061
Payroll taxes and benefits	174,969	161,826
Advertising	360	199
Dues and subscriptions	839	864
First aid and pharmacy	16,528	11,995
Food contract	31,089	21,621
Insurance	29,857	36,155
Juvenile clothing, linens, and other supplies	4,146	3,066
Office expense	3,158	2,566
Physician	10,484	8,565
Professional fees	37,219	35,687
Repairs and maintenance	9,823	25,985
Telephone	5,425	5,300

Training	297	379
Transport expenses	49,809	19,532
Trash removal	756	756
Travel	3,310	1,520
Utilities	17,935	14,844
Total disbursements	<u>898,859</u>	<u>802,921</u>
Excess of operating receipts		
Over operating disbursements	<u>105,528</u>	<u>110,809</u>
Non-operating receipts (disbursements):		
Interest income	<u>77</u>	<u>122</u>
Net non-operating receipts/(disbursements)	<u>77</u>	<u>122</u>
Net change in cash balance	105,605	110,931
Cash balance beginning of year	<u>692,010</u>	<u>581,079</u>
Cash balance end of year	<u>\$ 797,615</u>	<u>\$ 692,010</u>
Cash Basis Fund Balance		
Unrestricted	<u>\$ 797,615</u>	<u>\$ 692,010</u>

In fiscal year 2013, operating receipts increased \$90,657 or 9.9%, over fiscal year 2012. The increase was primarily a result of an increase in detention care fees. In fiscal year 2013, operating disbursements increased \$95,938, or 11.9%, over fiscal year 2012. The increase was primarily due to higher salaries, payroll taxes, benefits and transport expenses as a result of more facility usage. Many other general operating expenses were up for this same reason.

The Agency's net assets increased approximately \$105,605, or 15.3%, during the year.

LONG-TERM DEBT

At June 30, 2013, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

A review of the fiscal year budget for the Agency showed actual operating income was higher than expectations by \$80,252, with operating expenditures being more than projected and operating receipts being more than projected.

The current financial status of the organization indicates financial assets total approximately \$797,615.

The State Detention Reimbursement Fund remitted \$230,356, which covered approximately 25.6% of our operating expenses for fiscal year 2013.

The fiscal year ended with 4,376 billing days, up approximately 1,276 days from fiscal year 2012. Overall for the year, capacity at the Lee facility was approximately 56% and average daily population was 11.2.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve McCoy, Executive Director, South Iowa Area Detention Service Agency, 212 Glasgow Road, Fairfield, Iowa, 52556.

SOUTH IOWA AREA DETENTION SERVICE AGENCY

BASIC FINANCIAL STATEMENT

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE**

As of and For the Year Ended June 30, 2013

Operating receipts:	
Detention care fees	\$ 734,975
Transport fees	23,329
DHS reimbursement	230,356
Lunch program reimbursement	1,204
Other reimbursements	14,523
	<hr/>
Total operating receipts	1,004,387
	<hr/>
Operating disbursements:	
Salaries	502,855
Payroll taxes and employee benefits	174,969
Advertising	360
Dues and subscriptions	839
First aid and pharmacy	16,528
Food contract	31,089
Insurance	29,857
Juvenile clothing, linens, and other supplies	4,146
Office expense	3,158
Physician	10,484
Professional fees	37,219
Repairs and maintenance	9,823
Telephone	5,425
Training	297
Transports	49,809
Trash removal	756
Travel	3,310
Utilities	17,935
	<hr/>
Total operating disbursements	898,859
	<hr/>
Excess of operating receipts over operating disbursements	105,528
	<hr/>
Non-operating receipts	
Interest income	77
	<hr/>
Net non-operating receipts	77
	<hr/>
Change in cash balance	105,605
Cash balance beginning of year	692,010
	<hr/>
Cash balance end of year	\$ 797,615
	<hr/> <hr/>
Cash Basis Fund Balance	
Unrestricted	\$ 797,615
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See notes to financial statement.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Iowa Area Detention Service Agency was formed in 1991 by ten Southern Iowa member counties, seven of whom remain members of the Agency, pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency operates a juvenile detention facility located in Montrose, Iowa.

The governing body of the Commission is composed of one representative from each of the seven member counties. The member counties include: Davis, Des Moines, Jefferson, Lee, Louisa, Mahaska, and Wapello. Each member county has one vote.

A. Reporting Entity

For financial reporting purposes, the South Iowa Area Detention Service Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The South Iowa Area Detention Service Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The budgetary comparison is reported as Other Information.

NOTE 2 – CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had deposits in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$749,677 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk – The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

NOTE 3 – COMPENSATED ABSENCES

Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation and sick leave payable to employees at June 30, 2013, was \$23,635 and \$107,072, respectively. This liability has been computed based on rates of pay in effect on June 30, 2013.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the Agency is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$43,598, \$36,387, and \$37,070, respectively, equal to the required contribution for each year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 11 active members in the plan. Retired participants must be age 55 or older at retirement. Retirees who choose to remain on the plan are required to pay the full cost of the premium to the Agency each month. The Agency then remits those premiums to Wellmark.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$693 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the Agency contributed \$87,538 and plan members eligible for benefits contributed \$872 to the plan. The Agency has no retirees participating in the plan as of June 30, 2013.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 6 – RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2013 were \$21,387.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 6 – RISK MANAGEMENT (CONTINUED)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – RELATED PARTY TRANSACTIONS

The South Iowa Area Detention Service Agency share an office facility, management functions and have several of the same board members as South Iowa Area Crime Commission. The Agency paid the Commission \$53,851 for the year ended June 30, 2013.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 07, 2014, the date which the financial statements were available for issue.

OTHER INFORMATION

SOUTH IOWA AREA DETENTION SERVICE AGENCY
SCHEDULE 1 - COMPARISON OF RECEIPTS AND DISBURSEMENTS
ACTUAL TO BUDGET
For the Year Ended June 30, 2013

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Operating receipts:			
Detention care fees	\$ 734,975	\$ 525,000	\$ 209,975
Transport fees	23,329	18,000	5,329
DHS reimbursement	230,356	275,000	(44,644)
Lunch program reimbursement	1,204	14,000	(12,796)
Other reimbursements	14,523	8,500	6,023
Total operating receipts	<u>1,004,387</u>	<u>840,500</u>	<u>163,887</u>
Operating disbursements:			
Salaries	502,855	456,702	(46,153)
Payroll taxes and employee benefits	174,969	175,482	513
Advertising	360	100	(260)
Dues and subscriptions	839	1,000	161
First aid and pharmacy	16,528	11,500	(5,028)
Food contract	31,089	23,000	(8,089)
Insurance	29,857	42,000	12,143
Juvenile clothing, linens, and other supplies	4,146	3,850	(296)
Office expense	3,158	2,550	(608)
Physician	10,484	9,300	(1,184)
Professional fees	37,219	34,940	(2,279)
Repairs and maintenance	9,823	9,750	(73)
Telephone	5,425	5,500	75
Training	297	1,000	703
Transports	49,809	20,000	(29,809)
Trash removal	756	800	44
Travel	3,310	1,750	(1,560)
Utilities	17,935	16,000	(1,935)
Total operating disbursements	<u>898,859</u>	<u>815,224</u>	<u>(83,635)</u>
Excess of operating receipts over operating disbursements	<u>105,528</u>	<u>25,276</u>	<u>80,252</u>
Non-operating receipts (disbursements):			
Interest income	77	150	(73)
Net non-operating receipts	77	150	(73)
Excess/(deficiency) of receipts over disbursements	<u>\$ 105,605</u>	<u>\$ 25,426</u>	<u>\$ 80,179</u>

See accompanying notes.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Ann M. Menke

Certified Public Accountant
A Professional Corporation

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in
Accordance with Government Auditing Standards

To the Board of Directors of the
South Iowa Area Detention Service Agency
Fairfield, Iowa

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of South Iowa Area Detention Service Agency as of and for the year ended June 30, 2013, and the related notes to financial statement, and have issued my report thereon dated January 07, 2014. My report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statement, I considered South Iowa Area Detention Service Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control. Accordingly, I do not express an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of South Iowa Area Detention Service Agency's financial statement will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings as item 2013-I-A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Iowa Area Detention Service Agency's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Iowa Area Detention Service Agency's Responses to Findings

The South Iowa Area Detention Service Agency's written responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The South Iowa Area Detention Service Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the South Iowa Area Detention Service Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke
Certified Public Accountant
West Point, Iowa
January 07, 2014

**SOUTH IOWA AREA DETENTION SERVICE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2013**

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2013-I-A:

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted the same individual who prepares the bank deposits may also prepare billings, maintain cash receipts and accounts receivable records, prepare checks, and record disbursements in the accounting record due to the small size of the office staff.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is difficult. However, everything that we do is checked, double check, and sometimes even triple checked among the office employees that we do have. We also rotate various tasks among the office staff to avoid a single person always doing the same task.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

2013-II-A

Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2013-II-B

Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.

SOUTH IOWA AREA DETENTION SERVICE AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

2013-II-C

Commission Meetings – No transactions were found that I believe should have been approved in the Commission minutes but were not. However, the minutes did not include the schedule of bills allowed as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission should ensure the minutes, including the schedule of bills allowed, are published as required.

Response – This recommendation will be followed for future publications.

Conclusion – Response accepted.

2013-II-D

Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Commission.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts will be adopted by the Commission at our next meeting and will be reviewed periodically.

Conclusion – Response accepted.

SOUTH IOWA AREA DETENTION SERVICE AGENCY

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Kelly Nelton, CPA

Kristy Adams, Staff Auditor